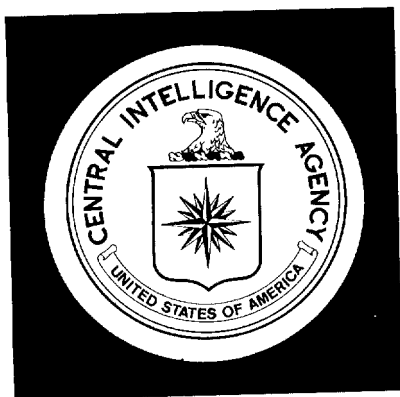


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# Weekly Summary

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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## Middle East

### LEBANON 8;11

Syrian and Palestinian representatives, meeting in Damascus this week, worked out a draft reconciliation agreement that calls for a truce to be implemented throughout Lebanon within one week of the accord's acceptance. Progress in the talks helped lower the level of fighting in most areas of the country. The lull, however, may prove only temporary if Syrian and Palestinian negotiators fail to persuade their more militant allies to accept the accord.

In addition to the provision for a nationwide cease-fire, the agreement calls for:

- Establishment of a Syrian-Palestinian-Lebanese committee to supervise the truce, and the use of Arab League and Syrian troops to enforce it.
- Withdrawal of Palestinian forces from the Mount Lebanon area and strict adherence by the Palestinians to the Cairo agreement of 1969.
- Roundtable negotiations among the Lebanese under the auspices of President-elect Sarkis and the formation of a "national union" cabinet to carry out a reform program established by the roundtable talks.

The Lebanese leftists and radical Palestinians have predictably criticized the draft accord for failing to include a provision for the withdrawal of Syrian forces from Lebanon. The leftists might have to acquiesce because of their military dependence on the Palestinians, but the Palestinian leadership itself is badly divided over whether to accept the terms, which clearly favor Syria.

The Christians have not yet indicated whether they would accept the agreement. Although the Syrians have made virtually no concessions to the Palestinians and have repeatedly reassured the Christians that they will not even discuss a withdrawal of Syrian troops, Camille Shamun and other Christian militants have hardened their positions after their recent military victories. They would like to see the complete disarmament of the Palestinians in Lebanon, and seem determined to consolidate their territorial holdings before entering into serious negotiations.

A Christian offensive this week to oust Palestinian forces from Christian villages in the mountains east of Beirut made little headway, primarily because of the rough terrain. Christian militiamen tightened their stranglehold on Tall Zatar refugee camp by attacking the only remaining leftist-Palestinian enclave in the area near the camp.

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## Europe

### ITALY 14-15

Italy's Christian Democrats this week authorized prime minister designate Andreotti to form a temporary minority government; its survival would depend on Communist abstention in parliamentary confidence votes. The Communists have not held such a pivotal role since their ejection from the government in 1947, and have always voted against the government in confidence votes.

Andreotti needs Communist abstention because of his failure during consultations on a new government to win parliamentary support from the Christian Democrats' three traditional governing partners. The Socialists, Social Democrats, and Republicans have all told An-



Giulio Andreotti

dreotti that the most he can expect from them in a confidence vote is abstention.

Given the increased Communist strength in the new parliament, the Christian Democrats could not command the requisite majority of those voting unless the Communists also abstained.

While giving Andreotti the go-ahead, the Christian Democratic leadership stopped just short of issuing the explicit appeal for Communist assistance that the Communists had demanded as a condition for their abstention.

What the Communists want, in effect, is a formal admission by the Christian Democrats that Italy cannot be governed without Communist cooperation.

Influential right-wing Christian Democrats opposed such an appeal to the Communists on the grounds that it would blur the distinction between the opposition and the government.

In the absence of realistic alternatives,

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Christian Democratic leader Zaccagnini sought this week to paper over differences in his party with a formulation that meets the Communists halfway. Rather than appealing to the Communists alone, he called on all parties consulted by Andreotti to "render a service" by abstaining in a vote of confidence.

The Communists will now have to decide whether Zaccagnini has gone far enough. They will probably be persuaded to go along by the increased influence they would acquire and by the Christian Democrats' willingness to yield major parliamentary posts to them.

25X1 Andreotti is drawing up a cabinet and  
25X1 will reportedly be ready to face a confidence vote next week.

## PORTUGAL 16-18

The new Socialist minority government of Prime Minister Mario Soares has set Portugal's economic recovery as its top priority. Soares is likely to obtain parliamentary approval of his government program next week, but success beyond

that is far from assured.

The government is faced with the task of reviving production and increasing employment while at the same time controlling inflation and reducing a sizable balance-of-payments deficit. The acid test for Soares' economic plan will come when labor—a center of Communist strength—faces the prospect of wage restraints and legalized worker dismissals. Portuguese workers have had relatively little trouble in getting even their most extreme demands approved since the military seized power in April 1974.

President Eanes and Soares have stressed that the new policies will be backed by the full authority of the government, but several of the ministers who will be expected to implement these programs do not inspire confidence. Labor Minister Marcelo Curto, a member of the Socialist Party's left wing and formerly secretary of state for labor, was criticized by former labor minister Tomas Rosa for being too soft on Communist labor organizations.

Agriculture Minister Lopes Cardoso, also a left-wing Socialist and a holdover from the last cabinet, is anathema to farmers in the north because of the stead-

fast support he gave the agrarian reform program and his failure to take strong action to correct abuses by Communist farm workers in the south. During the last administration, northern farmers frequently called for his resignation.

Soares apparently intends to keep a close eye on all the ministries and has appointed two able ministers without portfolio to help him. He will probably give particular attention to foreign affairs and reorient policy toward the US and Western Europe. He hopes to benefit from his close relations with West European government and political leaders.

The Socialist government will, in fact, be relying heavily on foreign assistance to help with Portugal's serious economic problems. Soares campaigned heavily on the theme that he was best equipped to obtain the needed assistance.



Mario Soares (l) and President Eanes (r)

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MBFR

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The ninth round of the Vienna force reduction talks concluded last week. The East, for the first time, provided data on its forces in Central Europe.

The figures provided by the East are lower than NATO estimates. They represent no change in the Soviet position that Warsaw Pact and NATO forces are roughly equal and, consequently, force reductions should be about equal. The move, however, makes concrete discussions possible for the first time since the talks began.

The West contends that, because Warsaw Pact forces in the reduction area are larger than NATO's, there should be asymmetrical reductions leading to a common ceiling of about 700,000 for the ground forces of each side.

The West European allies have responded by indicating they want assurances that the US will resist any

attempt by the Soviets to maintain their superiority in ground forces in the technical discussions that will begin when the West tables updated figures. The allies—particularly the West Germans—are also anxious to ensure that the discussions not include national force totals, which would undermine the West's demand for collective reduction commitments.

The West's tabling of updated force figures has been complicated by the French refusal to allow the allies to include data on French forces. Some allies have said they fear the French move jeopardizes the negotiations. Although Paris does not participate in the negotiations and has disclaimed any resultant obligations under an agreement, it had previously allowed its forces to be included in the Western totals. Exclusion of the French forces would make it more difficult to negotiate a collective figure for each side. The West is delaying presentation of its revised figures in the hope that some compromise can be found.

Paris' view that there is an increased likelihood of reductions in overall European armaments has revived French concern over its ability to deploy French forces.

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### USSR: Continuing Food Shortages 34, 35, 37

US embassy officers who have recently visited a number of Soviet cities from Tallinn on the Baltic to Irkutsk in Siberia report continuing food shortages, some of them worse than those observed a month or two ago.

Vegetables and fruit are becoming available from this year's harvest, but meat, eggs, and butter are in shorter supply. Residents in small towns throughout the country say these products are either very difficult to find or "totally unavailable."

Since last winter, consumers have suffered the worst food shortages in more than a decade; meat shortages, at least, will continue. Meat processing in June was down 29 percent from a year ago and

is not likely to pick up before fall.

Sausage—a favorite meat product—is still in short supply, despite attempts to make the most of available meat by adding dried milk, protein extracts, and potato and wheat flour.

There have been no major disturbances over the food shortages, although grumbling appears to be particularly bitter this summer. The government's failure to purchase substantial quantities of meat abroad suggests it does not believe civil disorder is likely.

Soviet diets have improved markedly over the past decade, and there is no hunger even now. The population is still eating more meat than it did in 1970.

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One of five Cuban merchant ships, the Vietnam Heroico, photographed returning from Angola on July 24

## Western Hemisphere

### CUBA-ANGOLA 38-41

With Angolan President Agostinho Neto looking on, Cuban Prime Minister Fidel Castro, in his annual address on July 26, pledged that Cuban military units and weapons will remain in Angola until that country's armed forces are organized, equipped, trained, and capable of guaranteeing national security.

Castro acknowledged that he is withdrawing military personnel no longer needed in Angola but gave no hint as to the number involved or the pace of the pull-out. He promised Neto that troops would be sent again if the need arose, but he stressed Havana's intention to provide technical cooperation in a variety of fields

to help Angola rebuild and eventually overcome underdevelopment. In a speech that preceded Castro's, Neto said large numbers of troops are no longer required, but he emphasized his country's need for Cuban advisers and technical experts.

Both leaders seemed to be making a deliberate effort to play down the Cuban involvement in Angola, presumably because of their sensitivity to the fact it is not entirely accepted by the Cuban population. Castro said there now are several hundred Cuban technicians working in Angola and "it may be necessary to have 2,000 or 3,000 Cubans" working there in public health, construction, education, fishing, agriculture, and the sugar and coffee industries.

We believe 3,000 Cuban technicians may already have arrived, and we expect this figure to climb rapidly, in part as a result of Neto's visit. Judging from the composition of the large Neto delegation,

considerable planning for the future Cuban role in Angola has been taking place since the delegation's arrival on July 22. Neto brought with him senior political, economic, and military officials, as well as representatives from local government, unions, and mass organizations.

#### Cuban Convoy from Angola

A convoy of five Cuban merchant ships is bringing men and equipment from Angola. Three of the ships have carried troops before; men in fatigues were sighted on the decks of several. The men could be Cuban troops or Angolans being sent to Cuba for advanced military training.

This is the third convoy, and apparently the largest, since the Cubans began using the convoy system in May.

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PERU

42-46

The Morales Bermudez government is beginning to switch its priorities and moderate the policies of Peru's eight-year-old revolution. The shift is the outgrowth of the wide-ranging shakeup in the government that occurred after the forced departure of former prime minister Fernandez Maldonado and some of his radical supporters in mid-July. The realignment of forces within the cabinet and key government ministries has tilted political power toward military officers with more conservative leanings.

President Morales Bermudez' independence day address on July 28 reaffirmed the government's new course. He repeatedly stressed that economic efficiency takes precedence over ideological experimentation.

The new cabinet seems disposed to improve relations with the US and to soften its advocacy of third-world positions. An important gauge of its intentions will be its handling of the long-standing Marcona dispute with the US. The new prime minister, General Arbulu Galliani, has already told Ambassador Dean that he is anxious to settle this and remove a major impediment to better relations.

Military conservatives are growing increasingly suspicious of the Cuban presence in Peru, and relations with Havana appear to be strained. The Cubans are reportedly worried by the recent trend in Lima and may attempt to lower their profile. Relations with the USSR may remain on track because of the substantial Peruvian investment in Soviet arms.

The movement toward more pragmatic policies is confirmed by several decrees issued since the first meetings of the new cabinet. The nationalized fishing industry is to be returned to private ownership, and petroleum concessions—suspended since 1973—will again be offered in international bidding.

The President will have to move cautiously during this period of change and until he can build up his support within the fragmented military establishment.

The latest changes do not imply any substantial modification in the authoritarian character of the regime—at least not immediately.

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## Far East

JAPAN

47-48

The Lockheed affair and the intense maneuvering it engendered in the ruling Liberal Democratic Party have entered a critical phase with the arrest of former prime minister Tanaka.

Despite widespread suspicion of Tanaka's involvement, his arrest has shocked Japanese political circles and has created a political scandal unprecedented in postwar Japan. Days and perhaps weeks of confusion and disarray can be expected in the ruling party while the investigation continues.

Japanese prosecutors expect to arrest a number of other prominent people soon. If those implicated are mostly from Tanaka's own faction, the ultimate damage to the party may not be overly severe. The party could even benefit somewhat from renewed public confidence in the government's will and ability to fight corruption, and from a belief that the guilty have been punished.

If, on the other hand, many people from various party factions are arrested, the conservatives could be generally tainted; the party's prospects in the national election later this year would be seriously damaged. Tanaka himself could do great damage with a full-scale confession. He earlier threatened to do just that if he were implicated, but he resigned from the party shortly after his arrest and now seems resigned to a quiet exit from politics.

Within the party, concern about the final outcome of the investigation has certainly increased. Similar apprehensions prompted powerful party leaders, in-

cluding Tanaka, to try to oust Prime Minister Miki last month. Miki weathered the initial challenge by insisting upon remaining in office until the probe is completed.

Miki will derive additional popular credit from Tanaka's arrest, but his narrow base of support in the party is unlikely to increase. He could decide to step down in the near future, saying he has fulfilled his responsibilities. If so, Deputy Prime Minister Fukuda would almost certainly succeed him.

There are some signs, however, that Miki has no intention of resigning and that he hopes to maintain strong popular support for his tenure by advocating general party reforms in the wake of the Lockheed affair. If so, he clearly runs the risk of an open clash with other party leaders, including Fukuda.

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THAILAND

50-51

Thai Foreign Minister Phichai leaves for Vientiane and Hanoi this weekend seeking normalization of relations with Thailand's neighbors.

In Vientiane, Phichai will try to ease the strained relationship of the past year caused by clashes along the Mekong River and Thailand's subsequent closure of all but one point on the border. The border closure has damaged the Lao economy and, from Vientiane's point of view, is the major obstacle to better relations. Another source of contention is Thai support for Lao resistance activities.

Thailand, equally concerned about Lao support to Thai insurgents, is reluctant to drop all restrictions to the movement of goods and people across the border but does seem prepared to offer the opening of additional points of entry near major commercial centers.

Phichai's obvious eagerness to establish relations with Vietnam is disquieting to conservative groups in Bangkok. Conservative politicians and military officers are

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still upset over the departure of the US troops and blame the Foreign Ministry. They believe Thailand has alienated its staunchest ally in exchange for an improvement in relations with communist regimes in Indochina that are actively supporting insurgencies in the north and northeast.

If, during the negotiations in Hanoi, the Vietnamese renew their claim to the aircraft flown out of Vietnam last year, conservative opposition to such a return could sidetrack the talks. If the Vietnamese are willing to ignore this contentious issue, the conservatives probably would not stand in the way of establishing relations.

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## Africa

### SOUTH AFRICA 52-56

Scattered student disturbances in South Africa last week indicate that some black militants have been working to exploit the heightened racial tensions that resulted from extensive rioting in mid-June. The new disorders, along with some arson in widely separated localities, showed a degree of concerted action that was not apparent in June.

Soweto and the other black townships around Johannesburg and Pretoria where the rioting occurred last month have been quiet since then because of stringent security measures. Last week, student riots broke out in several other black townships farther from Johannesburg after most of the country's black students resumed studies at the end of the winter recess. The disorders were quickly suppressed after two youths were killed.

The government had announced that black schools around Johannesburg and Pretoria would remain closed indefinitely, but reversed itself and allowed these schools to reopen only two days later than



*South African police on patrol in Alexandria, near Johannesburg, in mid-June*

the others. The turnabout apparently resulted from a meeting between government leaders and a newly formed committee representing school principals and other black officials from the affected townships.

In other concessions, the government announced earlier this month that it would no longer compel the use of Afrikaans as a medium of instruction for black students and that electricity would be provided by 1983 to all housing in Soweto. These decisions also followed informal consultations with authorized black spokesmen, and government leaders have intimated that the urban Bantu councils—now only advisory bodies—are to gain a voice in planning public services in the black townships.

At the same time, the authorities are trying to intimidate any blacks who have gained prominence outside the limited range of officially sponsored positions in the urban black townships or the tribal homelands. Those detained after the June riots included not only activists in the Black People's Convention and associated student groups, but also some non-political blacks.

At least 1,300 persons had been arrested by late June for suspected involvement in the rioting. Some 200 have been brought to trial and others have been released, but many are still being held under security legislation authorizing indefinite detention without trial of anyone suspected of subversive action or intent.

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57-63

## KENYA-UGANDA

Concern continues in Nairobi that Ugandan President Amin may order a military move against Kenya. Despite hints by Nairobi that it stands ready to ease the dispute, Kenya appears determined to maintain economic and diplomatic pressure on Amin.

Kenyan Foreign Minister Waiyaki said this week that his government would be willing to allow a resumption of petroleum shipments to Uganda if Kampala pays cash for the shipments. Previously, Kenya had maintained that deliveries of oil and other commodities could not be resumed until Uganda had met all its outstanding debts to Kenya.

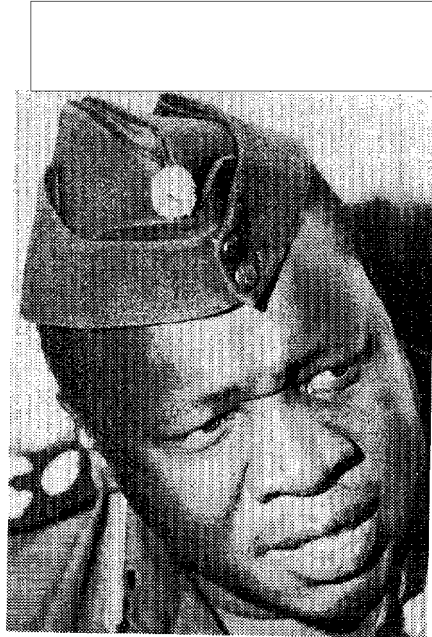
At the same time, the foreign minister listed several conditions he said Amin must meet to ease tensions. He said Amin must remove his troops from the border area, drop claims to parts of Kenya, and guarantee the safety of Kenyans in Uganda who have been subjected to reprisals. The foreign minister also said Amin must stop confiscating goods bound from Kenya for Rwanda, Burundi, and Zaire.

Within Uganda, the economic situation has grown increasingly difficult. The government has imposed strict conservation measures that have apparently had a serious effect on military capabilities and on civilians.

The secretary general of the Organization of African Unity arrived in Nairobi this week to look into the dispute. He was expected to go on to Kampala. Amin last week called for OAU and UN investigations of his problems with Kenya.

Amin, a Muslim, also is trying to line up support among Islamic states. The Arab League has agreed to discuss his requests for oil and other supplies, but no date has been set for a meeting.

The Kenyans have asked the US embassy to ensure that current visits of US military units to Kenya are given as little US publicity as possible. The Kenyans, who last week said the US presence has played a role in deterring Amin from taking military action, are apparently trying to avoid damage to Kenya's nonaligned



President Amin

credentials.

The UK announced this week that it has decided to break relations with Uganda. The Callaghan government, which has been under considerable pressure to "do something" in the face of Amin's provocations, had held off the break for two weeks while about half of the 500 British subjects in Uganda were leaving the country.

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International

64-66

## GOLD PRICES DROP

Gold prices plummeted to a two and one half year low of \$107.75 an ounce last week in the wake of the July 14 International Monetary Fund gold auction. Although prices recovered to the \$110-\$113 range this week, many market analysts are now predicting further declines. European countries with extensive public and private gold holdings may soon seek US cooperation to defer further IMF sales.

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The recent price movements stem mainly from a sharp increase in the supply of new gold to markets in non-communist countries. Since June 2, IMF sales—24 tons at 6-week intervals—have increased the new gold supply by 17 percent.

South African production and sales, which had been declining for several years, leveled off in the first half of 1976 and are likely to increase slightly in the second half. As a result, the current rate of gold supply is at least 25 percent above the pace in 1975.

The demand for gold has not kept pace with the increase in supply. Industrial demand, although recovering, remains well below the peak it reached in 1971.

Many countries are undoubtedly concerned over the price decline. The USSR, facing a current-account deficit of \$4 to \$6 billion this year, will find it increasingly difficult and expensive to borrow on private capital markets. Last year, the USSR earned about \$750 million from gold sales. If the Soviets sell at a rate of 250 tons per year, each \$1-per-ounce decline in the gold price costs them about \$8 million annually.

South Africa, also in a payments bind, earned \$3.5 billion from gold sales in 1975 and would feel the effects of declining gold prices even more sharply than the USSR.

Several West European countries that hold extensive public and private gold stocks may become concerned over recent price movements. Portugal and Italy have used gold to back loans to meet payments obligations. These two countries as well as France and Switzerland have a vested interest in a strong gold market.

Unless the IMF auctions are curtailed, gold prices are unlikely to recover this year. Industrial demand will continue to recover but not enough to improve prices. The USSR's financial needs will force it to continue to sell gold, and South Africa must also continue to sell.

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*Malta's next parliamentary election, due sometime before mid-November, will test public reaction to Prime Minister Mintoff's sharp break from the country's pro-Western traditions in foreign policy.*

## Malta: Parliamentary Election

The approaching parliamentary election in Malta is developing into a referendum on Prime Minister Dom Mintoff's nonaligned foreign policy. The economic impact of the withdrawal of British forces, to be completed by March 31, 1979, is also likely to be a key issue.

Parliament must be dissolved by mid-August and the election held before the middle of November, but it could be called sooner.

Since the return of his Labor Party to power in 1971, Mintoff has stirred controversy at home by moving Malta away from its traditionally strong ties with the UK, Europe, and NATO and toward a closer identification with the third world. Malta, a member of the nonaligned movement since 1973, was admitted to the Group of 77 in February of this year.

### Foreign Policy

Shortly after assuming office, Mintoff

demanding removal of the small NATO naval command from the island and refused entry to US navy ships. In key votes in international forums, particularly the UN, Malta has taken anti-US and anti-Western positions. Mintoff has carefully cultivated a friendship with Libyan leader Qadhafi, which in turn has led him to adopt a sharply pro-Arab and anti-Israel stance.

Such marked departures from traditional Maltese policies have been unpopular with many Maltese, who generally remain pro-Western and view Mintoff's flirtation with Qadhafi with suspicion.

One of Mintoff's major foreign policy themes is his opposition to the presence of US and Soviet fleets in the Mediterranean. Last summer he almost brought the European Security Conference to a standstill by demanding an amendment to the Mediterranean declaration calling for the withdrawal of all US and Soviet ships from the area.

He has capped his anti-US and anti-Soviet stands by introducing a significant Chinese technical presence into Malta, coupled with strong support of Peking's Asia policy.

Such policies have increased Maltese anxieties about the island's political and economic future after the British withdrawal. Of major concern is the loss to Malta's economy of some \$80 million annually from the NATO-financed British base-rental payments and local British expenditures.

### The Opposition

The opposition pro-Western

Nationalist Party led by former prime minister Georgio Borg Olivier may not be able to capitalize sufficiently on public dissatisfaction with Mintoff's policies to win the election.

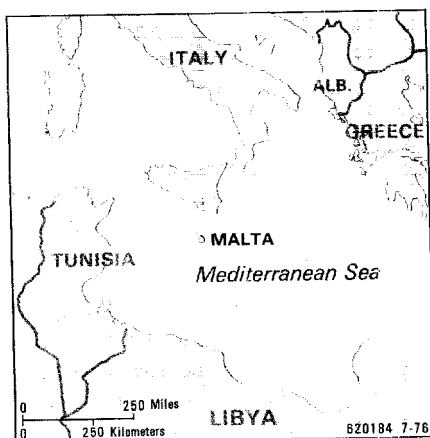
Borg Olivier is a weak and ineffectual leader who has been able to muster only token opposition in Parliament to most of Labor's programs. The Nationalists' problems could be compounded by gerrymandering of the election districts by Mintoff last February.

The election results will be determined in large part by Mintoff's success in convincing voters that his widespread contacts with world leaders and diplomatic posturing can secure the necessary international commitments to keep Malta afloat economically.

### Need for Aid

There is little sympathy in Europe for Mintoff. Many European leaders, already irritated by his nonstop appeals for economic aid, are likely to recognize that even the suggestion of a pre-election commitment from them to Mintoff could assure his re-election. The Italians view Mintoff's friendship with Qadhafi with alarm and would prefer to see Malta tied as closely to the NATO countries as possible.

Whichever party wins the election, Malta will be obliged to seek outside help. Should the Nationalists win, however, they have indicated that in exchange for economic assistance they would restore Malta's pro-Western orientation and allow at least a token NATO presence on the island.

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*The spending cuts proposed by the British government last week will reduce the need to borrow abroad and thus contribute to controlling inflation. Prime Minister Callaghan has used much of his political capital with the union leaders to get them to go along.*

78-74

## British Spending Cuts

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British Chancellor of the Exchequer Denis Healey last week announced \$1.8 billion in spending cuts for the fiscal year beginning April 1, 1977. The government is likely to win parliamentary approval of the cuts next week, despite the criticism of left-wing Laborites. The opposition Tories have called the cuts inadequate, but acknowledge they are a step in the right direction.

The proposed cuts, along with \$1.6 billion in revenue from a 2-percent increase in employers' contributions to the national insurance program, should meet any requirements the International Monetary Fund might put on new lending to the UK.

With more than \$1 billion of the \$5.3-billion credit the UK received from the Group of Ten already dissipated in support of the pound, a loan from the IMF to repay the Group of Ten is beginning to look increasingly likely in December.

The measures prompted little reaction on the foreign exchange market. In London, the pound dropped slightly.

The action may not give sterling the boost the government hopes for because the cuts concentrate as much on investment as on reductions in social programs.

Healey's proposals include:

- A \$178-million cut in the defense budget.
- A \$280-million reduction in the investment program of the nationalized industries.
- A \$155-million reduction in road and transportation allocations.
- A \$187-million drop in programs

for trade, industry, and employment.

- A \$142-million cut in food subsidies.
- A \$422-million reduction in housing, health, and social security spending.

Healey's measures are a step toward reducing inflation. They should cut borrowing from an estimated \$20.5 billion in this fiscal year to \$16 billion in the next. The latter amount would represent 6 percent of national output, compared with 9 percent forecast for this fiscal year and 10 percent last year.

Prime Minister Callaghan has dissipated much of his political capital with the union leaders in trying to prevail on the trade unions to go along with these budget cuts.

If the Labor government eventually is forced by a slide in sterling to consider additional cuts in public spending, Callaghan will have to show strong improvement in unemployment statistics to persuade the unions to continue support for his economic policies.

### Defense Cuts

In a letter to NATO Secretary General Luns last week, Defense Minister Mason argued that his government's proposed \$178-million cut in defense spending would have little impact on the British military contribution to the Alliance. He explained that he is determined not to reduce "front line" forces committed to NATO—a reference to the 56,000 British ground troops stationed in Western Europe.

Mason did not disclose specific areas where cuts would be made, but he implied they would be absorbed partly by allowing



Denis Healey

delays in some lower priority military equipment and construction programs. Spending for logistic support facilities, military housing, and administrative offices will reportedly also be reduced.

The defense minister's attempt to minimize the effect of this latest reduction on the flexibility and overall military capability of the British armed forces suggests the government expects strong protests from its NATO allies.

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*The student movement in Thailand, once a power in domestic politics, has lost public support. Its leaders have been radicalized by the Communists, and the movement is weakened by factionalism and the effects of rightist intimidation.*

67-69

## **The Thai Student Movement in Disrepute**

The Thai student movement today is in disrepute, suffering from factionalism and the effects of radical politics that have alienated the mainstream of Thai society as well as the student population it purports to represent. It is a far cry from the student movement of 1973, the leaders of which became instant folk heroes for their role in toppling the Thanom military regime, ending some 20 years of continuous military rule.

As faction-ridden as the student movement is today, few doubt that it would quickly rally to oppose any group attempting to return Thailand to martial law. Student leaders have made it clear that their opposition would be violent, and even the military knows that a student bloodbath is unacceptable to both the King and the public at large.

The current low regard of the Thai student movement comes from its attempt to preserve its momentum after the fall of the military government by frequent street demonstrations. In 1973 and 1974, students took to the streets to protest Japanese economic influence, the lack of strong civilian government, and the US military presence. Such tactics succeeded in keeping Bangkok in a state of almost constant political turmoil, causing at one point the collapse of the interim government of Sanya Thammasak.

As 1974 came to an end, public enthusiasm for the students waned, and the Thai press attacked their disruptive behavior and voiced the fear that con-

tinuation of such tactics might cause public support for civilian rule to evaporate.

Student leaders lost some of their credibility because of their willingness to accept the advice and guidance of the Communist Party of Thailand. To many of the university students of Chinese extraction, Maoist rhetoric struck a responsive chord. To the average Thai student, the leftward drift of student leaders was both alien and dangerous.

The Communist attempt to lead the student movement to the left has had mixed results. The student newspaper *Athipat* has become little more than a Communist mouthpiece, and the party has had a significant impact on the thinking of the student leaders, many of whom have joined party-backed leftist political groups upon graduation. On the other hand, Communist success in radicalizing the student leadership has had the overall effect of alienating the student rank and file and weakening the political influence of the student movement as a whole.

The political right, sensing the erosion of public support for the students, has created groups of its own to counter the university-based radicals. Violence-prone vocational students, serving as the cat's paw of conservative groups in the military and government, now routinely disrupt leftist rallies, and the clashes are often bloody.

The assassination within the past year of a handful of prominent student activists and leftist politicians was probably in-

spired by military and police groups determined to destroy the radicals. Fear of right-wing violence has significantly handicapped the ability of the radicals to stage rallies and has led most student leaders to conclude that the era of protest marches is over.

Such right-wing intimidation, plus the results of this year's general election in which leftist candidates were soundly defeated by scare tactics of the right, seems to have convinced some student activists and politicians that efforts to work for reform within the existing political system are futile.

We doubt, however, that many leftists see the insurgency as the best way to change Thai society. The Communist Party's doctrinaire approach, which pays lip service to urban activities but still stresses Maoist rural revolution, is not an attractive alternative for sophisticated Thais.

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*Finland's durable President Kekkonen has carefully nurtured his country's "special" relationship with the USSR while maintaining its ties with the West.*

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## Finland: Kekkonen To Visit US

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Finnish President Urho K. Kekkonen, who begins an official visit to Washington on August 3, is one of the most durable European political leaders. At 76, he has served as president for more than 20 years; nearly all Finnish political parties have already endorsed him for another six-year term after his current one expires in 1978.

Kekkonen's long domination of the Finnish political scene is due in part to his consummate skill as a politician, but perhaps the decisive factor has been the stable relationship he has established with a succession of Soviet leaders.

He makes biannual visits to the Soviet Union—a pilgrimage he has made for years—spending part of the time hunting with Soviet leaders and maintaining personal rapport with them. The President cites his familiarity with the Soviet leaders as the main reason for his success in dealing with Moscow. Last month he reportedly stated that his successor would have difficulty gaining Moscow's confidence and that there probably is no one else who could do the job.

Foreign policy is the area in which the Finnish leader has made his most outstanding contributions. Finland is officially neutral, but because of its "special" relationship with the USSR since

World War II, relations with Moscow are its primary concern. Nearly all foreign policy decisions are first measured against their impact on relations with the USSR.

### Basis for Relations with USSR

Soviet-Finnish relations are based on the bilateral Agreement of Friendship, Cooperation, and Mutual Assistance signed in 1948. The agreement was intended to convince the USSR of Finland's desire to establish a relationship based on trust and confidence after the bitter experiences of the previous decade.

Article 2 of the agreement allows Moscow to call for bilateral military consultations if it feels threatened, after which the two countries are to determine jointly whether it is necessary to dispatch Soviet forces to Finland to "assist" the government. The USSR has invoked this article only once, in 1961, after NATO proposed that West Germany be included in a joint Baltic Sea command force. President Kekkonen met with Soviet Premier Khrushchev, and the two leaders concluded that military consultations were not necessary and that Finnish neutrality was not endangered.

Finland has generally maintained a careful balance in its foreign relations. It is an active member of the UN and its numerous specialized agencies and participates in UN peace-keeping activities on Cyprus and in the Middle East.

Finland has a free-trade agreement

with the EC and participates actively in the Nordic Council. It has played host to numerous East-West meetings, including the Conference on Security and Cooperation in Europe a year ago.

Participation in Western organizations is balanced by Finland's special cooperation agreement with the Soviet-dominated Council of Economic Mutual Assistance, as well as by its repeated promotion of various proposals favored by Moscow. Finland was a strong supporter of the Soviet proposal for a Conference on Security and Cooperation in Europe and for a nuclear-free zone in Scandinavia.

Despite the extraordinary record of stability in the presidency, Finland has averaged nearly one government a year since independence in 1917. The present government is a five-party center-left coalition headed by Prime Minister Miettunen. It tried to resign last spring, but Kekkonen exercised his political influence and persuaded the disparate partners to continue the coalition.

One continuing issue is participation in the government by the Finnish Communist Party. Despite an attempted coup by the Communists in 1948, several Finnish governments have found it expedient to encourage Communist participation. Communists have been members of four governments since 1948—including the current one—but ideological differences over whether party principles permit such

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participation have blunted their effectiveness.

The dispute that threatened the Miettunen government in May grew out of a refusal by the Communists to approve a government proposal to increase the sales tax. The compromise worked out by Kekkonen allowed the Communists to register their dissent while the other four coalition parties—which still commanded a majority in Parliament—approved the measure.

Kekkonen wants to keep the Communists in the government until after a number of unpopular austerity measures are enacted. A new test of the cohesion of the coalition will occur this fall when Parliament considers further restrictive economic policies.

#### **Economic Problems**

Last year, a moderately strong demand for imports, coupled with depressed foreign markets for Finnish lumber and machinery, led to a record \$2-billion trade deficit. Rising interest payments on the foreign debt pushed the services account

into the red. Altogether, the current-account deficit nearly doubled to \$2.1 billion, equal to about 8.5 percent of gross national product.

The government is committed to holding the increase in government spending this year to 1 percent. It is also trying to encourage the development of export industries, in part by exempting them from the general clampdown on credit availability.

Finland's deficit in trade with the US during the first five months of this year was about half the \$178-million deficit recorded during the same period last year. For 1975 as a whole, Finland's trade deficit with the US reached \$393 million, nearly one fifth of the total deficit. President Kekkonen, in his discussions with US officials, probably will point to this imbalance. The Finns are concerned, for example, that US quota restrictions on specialty steels will inhibit Finnish exports of this product, which they hope to begin late this year.

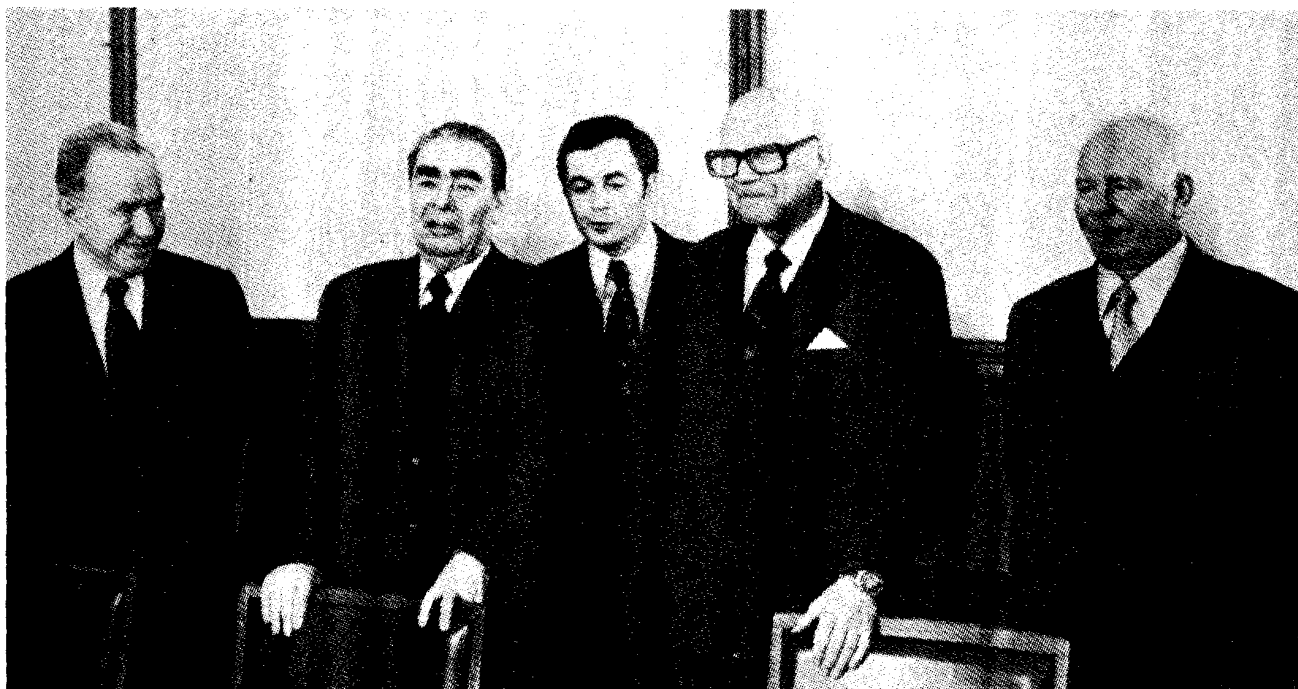
Finland expects another year of

no-growth in its economy as a result of the government's tightened monetary and fiscal policies. These are accompanied by limited wage and price controls. The curbs are opposed by labor, which has markedly stepped up strike activity.

In the face of mounting difficulty with the economy, President Kekkonen appears to be increasing his domestic authority at the expense of the Prime Minister and the cabinet. He has long dominated Finland's foreign policy.

By most accounts, the President is in fairly good physical condition for his age. Despite a prostate operation last year, Kekkonen skis, hunts, fishes, and maintains an impressive official schedule.

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*President Kekkonen (second from right) during meeting last year with Soviet leaders*

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